

# **Federal Housing Action Program**

# **Programme Fédéral Action Logement**



**Central Mortgage  
and Housing Corporation**

**Hon. Barney Danson  
Minister**

**Société centrale  
d'hypothèques et de logement**

**L'honorable Barney Danson  
ministre**

Honourable  
Barney Danson  
Minister of State  
for Urban Affairs

L'honorable  
Barney Danson  
ministre d'État  
chargé des Affaires urbaines

## ONE MILLION AFFORDABLE UNITS IN FOUR YEARS

1975

### FEDERAL HOUSING COMMITMENT

OTTAWA, MONDAY, NOVEMBER 3: Urban Affairs

Minister Barney Danson today announced a housing package designed to produce one million new housing units over the next four years, with a 1976 target of 235,000 starts.

"Our commitment is to stimulate production of the kind of good quality housing that lower and middle income Canadians need and can afford," the Minister said, "and to stimulate employment throughout the economy."

"To achieve this, we will":

1. Require private lending institutions to direct in 1976 an additional \$750 million into the financing of new, lower and moderately priced housing.
2. Require private lending institutions to restrict their low down payment (high ratio) lending to new lower and moderately-priced housing.
3. Make the Assisted Home Ownership Program (AHOP) available to any Canadian who wants to buy moderately-priced housing. The program will also be extended to include households of two or more people.



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For people with children who need help to keep their monthly payments under 25 per cent of their income, the maximum interest reducing grants are increased from \$600 a year to \$750.

For others, assistance will be in the form of a loan which will be interest-free for the first five years and repayable with interest after that time, or when the house is sold or refinanced. The loan will be sufficient to cover the difference between market interest rates and interest at eight per cent.

4. Stimulate increased production of moderately-priced rental accommodation. The Assisted Rental Program makes interest-reducing grants available to builders who will create rental housing at rates agreed to by CMHC. Maximum annual grants to them will be increased from \$900 to \$1,200 per unit to compensate for recent interest rate increases and to encourage supply. These grants would also be recoverable.
5. Extend to the end of 1977, capital cost allowances of rental accommodation. This measure encourages investment in rental construction by allowing capital costs to be deducted from other income for tax purposes.
6. Establish the Federal Mortgage Exchange Corporation on an operational basis by the Spring of 1976.
7. Make housing development more attractive to municipalities. A \$1,000 per unit grant will be given to municipalities which approve medium density housing within AHOP and Assisted Rental price limits.

Also, loans will be made available to municipalities for water treatment facilities and mains, where they are needed to open up land for housing.

The Minister said that the program is designed to fill the real needs of Canadians who are not suitably housed at the moment, by providing them with access to housing they can afford.

"One of the very real advantages of the program I have announced", he said, "is the thrust of directing more private capital into the residential mortgage market with the least amount of taxpayers' dollars.

"As well", Mr. Danson added, "housing is an important factor in the federal attack on inflation. Our new initiatives will dampen inflation in the housing sector and will stimulate economic growth and employment."

Earlier in the day at a conference of federal and provincial housing ministers, Mr. Danson asked the provinces to impose rent controls on the strength of the federal government's commitment to support new housing construction. He also asked the provinces to require lending institutions under provincial jurisdiction to increase their mortgage lending consistent with the federal guidelines.

Legislation on the housing package will be introduced in the House of Commons in the near future.

## FEDERAL HOUSING ACTION PROGRAM

### BACKGROUND/EXPLANATORY NOTES

#### INTRODUCTION

Most Canadians are well housed. Many of them bought their houses years ago at prices and interest rates which are now well within their means. Many of them, in relative terms, have profited by inflation. If they want to move up in the housing market -- from a three-bedroom to a four-bedroom house, from a single garage to a double garage -- they have a substantial equity to reinvest. They can drive prices out of reach and squeeze out people who are in real need.

At the same time, there are hundreds of thousands of Canadians -- including many senior citizens and native people -- who are badly housed and paying too much of their income for shelter.

These people, historically, have been the main target of federal housing programs and it is essential that this kind of assistance be strengthened.

There is also a growing group of people who used to be able to look after their own needs but now need some public help. Federal and provincial programs have been introduced to help these people with what is essentially a cash-flow problem, and this effort will be stepped up over the next 4 years in order to meet our housing and anti-inflation goals.

The federal program is intended to deal with three immediate housing objectives:

- First: To increase production of more moderately-priced housing units for both sale and rental purposes.
- Second: To enable Canadians to afford the housing that is produced
- Third: To prevent people who are already well-housed from taking advantage of the situation to improve their accommodation and economic position beyond any reasonable need.

Housing is an important factor in the federal attack on inflation and the new housing initiatives will play an important role not only in human terms but also in economic terms, in the creation of employment opportunities, while restraining inflationary pressures.

### The Supply Problem

The program will commit the federal government to stimulate the production of 1 million new housing units over the next four years and will guide our national resources into the kind of housing Canadians need.

### The Affordability Problem

The program will maintain a high level of activity in lower income housing while, at the same time, reducing the carrying costs for people who want to buy moderately-priced housing. It will ensure economic viability in the rental market and create a climate that will encourage investment and production of housing for rent at moderate rates.

### The Excessive Demand Problem

The program will restrict the credit that is currently available for high-priced housing, hold the line on rent and price limits under present federal housing programs, and put housing expectations into a reasonable perspective.

Following is a series of papers outlining the measures.

MODIFIED ASSISTED HOME OWNERSHIP PROGRAMS (AHOP)

The present AHOP programs are intended to help families acquire moderately-priced housing without spending more than about 25 per cent of their income in mortgage and tax payments.

Here is how they work now. The mortgages may be provided directly by CMHC or obtained from approved lenders. CMHC mortgages may be as low as eight per cent, depending on income. Additional non-recoverable interest-reducing grants of up to \$600 a year are available as required. Under private AHOP, mortgages are at the market rate and interest-reducing grants are available up to \$1,200 a year, to offset the higher interest rate. In all cases, price and income limits are applied in each market area.

To meet our changing needs, and particularly the needs of people of modest income who are being squeezed out of the home ownership market, a number of changes are proposed.

Essentially they are these:

- the program would be expanded to help anyone who wants to buy moderately-priced housing including households of two people.

- the two AHOP programs -- public and private -- will provide identical coverage and benefits but the public program would apply only where private mortgage funds were not available. The aim will be to bridge the gap between carrying charges that would be required on the basis of private market interest rates and those required if the interest rate was eight per cent.
- subsidies would be recovered over time or when the house was sold or refinanced. Accumulated assistance payments would be free of interest during the period of support. After that, they would bear interest at the mortgage rate.
- subsidies would be reduced each year by one-fifth or \$20 a month, whichever was less, but not to the point where the borrower was paying out more than 25 per cent of income.
- assistance would not be recovered from families with children who would otherwise be paying more than 25 per cent of the principal wage-earner's income.
- maximum assistance available to these families would be increased from \$600 to \$750 a year.

IMPROVED RENTAL ASSISTANCE PROGRAM

In order to make rental housing economically viable and increase production, some improvements are proposed to our current Rental Assistance Program. This program, at present, makes interest-reducing grants available to builders who will create housing for rental at rates agreed to with CMHC.

We are proposing to increase the maximum annual grants from \$900 to \$1,200 per unit, to compensate for recent interest rate increases.

Assistance would be recoverable from the builder or owner when he sells or refinances the property, or at the end of the amortization period of the first mortgage. Rentals, of course, would be controlled in line with demonstrated costs increases.

As a further incentive, special provisions permitting the use of capital cost allowances on new rental housing, as an offset to other income for tax purposes will be extended to the end of 1977.

LENDING TARGETS AND INCENTIVES

The federal program will be aimed at increasing and maintaining the momentum of private investment in the residential mortgage market, particularly toward the financing of lower and moderately-priced housing stock. The alternative would be a substantially-increased capital budget for CMHC and, consequently, a greatly-increased direct federal investment in housing.

Lending institutions will be required to direct an increased percentage of their resources toward this objective.

A mortgage review committee of departmental officials will set targets for lenders and monitor performances.

The Federal Mortgage Exchange Corporation will be established on an operational basis by the Spring of 1976.

HIGH RATIO LOANS

To cool our excessive demand for expensive housing, and direct production to the low and middle-price ranges, the government's most favorable credit terms will be available only for the housing needs of people of moderate incomes.

All high-ratio loans -- that is, loans requiring a low down-payment -- will be restricted to housing that comes within the NHA limits established for each market area. These limits would be consistent with government price guidelines. Lenders will be required to observe these restrictions.

LAND INCENTIVES

In order to offset the financial disadvantages and make housing development more attractive to municipalities, it is proposed to make a grant of \$1,000 per unit to municipalities which approve medium density housing within AHOP and Assisted Rental price limits.

Loans and grants available under the Sewage Treatment Assistance Program will be available for water treatment facilities and mains -- in addition to sewage treatment facilities -- where they are needed to open up land for housing.

STATEMENT BY HONOURABLE BARNEY DANSON, P.C., M.P.

HOUSE OF COMMONS

MONDAY, NOVEMBER 3, 1975.

Mr. Speaker,

I wish to outline to members, the Federal Housing Action Program, a series of measures designed to produce one million new housing units over the next four years.

The commitment of the federal government is to ensure production of the kind of good quality housing that lower and middle income Canadians need and can afford, and through these measures, to dampen inflation in the housing sector and stimulate economic growth and the creation of employment opportunities.

In order to achieve these objectives,

1. The government will require private lending institutions to direct mortgage financing to new, lower and moderately priced housing. In 1976 this will require an additional \$750 million for a total new housing market of \$8 billion.
2. The government will require private lending institutions to restrict their low down payment (high ratio) lending to NHA regional loan limits.

3. We will make the Assisted Home Ownership Program (AHOP) available to any Canadian household of two or more people wanting to buy moderately-priced housing and to keep their monthly payments equivalent to those of an 8% mortgage. The requirement of having at least one child is removed enabling young couples to purchase a home before starting their family.

For people with children who need help to keep their monthly payments under 25 per cent of their income, grants, which are now a maximum of \$600 a year, are increased to \$750.

For others, assistance will be in the form of a loan which will be interest-free for at least the first five years and repayable with interest after that time, or when the house is sold or refinanced upwards. The loan will be sufficient to cover the difference between market interest rates and interest at eight per cent.

4. We will stimulate increased production of moderately priced rental accommodation. The Assisted Rental Program will make interest-free loans available to builders who will create rental housing at rents controlled by CMHC

during the period of support of up to 15 years. Maximum annual loans to builders will be increased from \$900 to \$1,200 per unit to compensate for recent interest rate increases and to encourage supply. These loans will be recoverable.

5. In addition, we will ask the House to approve the continuation of the special capital cost allowance provisions for non-principal-business rental entrepreneurs until December 31, 1977.
6. To improve the liquidity of mortgages as an investment, the government will make the Federal Mortgage Exchange Corporation operational by April 1, 1976.
7. To make moderate cost housing development more attractive to municipalities, the government will make \$1,000 per unit grants available to municipalities which approve medium density housing within regional AHOP and Assisted Rental price limits.
8. The government will now make loans and grants available to municipalities for water treatment facilities and mains, where they are needed to open up land for housing, on the same basis as

assistance presently given to municipalities under the Sewage Treatment Program for sanitary and storm sewers.

The program I have just enunciated, Mr. Speaker, is designed to fill the real needs of Canadians who are not suitably housed at the moment, by providing them with access to housing they can afford. This will stimulate employment in the construction industry by creating 32,000 additional jobs in 1976. The entire four-year program involves more than a million man years of employment.

One of the very real advantages of this program is that it directs more private capital into the moderately priced residential mortgage market utilizing a minimum amount of taxpayers' dollars. This allows the federal government to direct its resources to Canadians in greatest need, such as senior citizens, native people, the handicapped, and others who are socially and economically deprived.

I would also like to inform members that at the Federal-Provincial Housing Ministers' Conference earlier today, I urged the provinces to institute rent controls consistent with the federal government's commitment to contain inflation and support new housing construction.

I have also asked my provincial colleagues to require those lending institutions under provincial jurisdiction to increase their mortgage lending in line with the federal guidelines.

Mr. Speaker, I believe members will generally agree that these long range measures, are designed to enable the construction industry to marshall its resources for economic and competitive production in order to meet the most pressing needs of those Canadians who are finding difficulty acquiring adequate housing at reasonable cost under today's difficult conditions.

I will be introducing legislation in the House in the very near future for the consideration of members.